

Divorce? Might Be Time to Create an Estate Plan.

Some people see the wisdom of estate planning when it comes to probate avoidance or saving taxes. However, estate planning can serve other purposes as well. Every client has goals and each estate plan can be drafted to help meet those goals.

One of my recent clients came to me after just having gone through a divorce. He had about \$200,000 in assets and some life insurance. He wasn't sure if he should do any planning. He asked me, "What if I do nothing?" I answered, "Well, that is certainly one approach you can use. However, let's explore your situation a bit further."

We discussed his goals and learned that one of the primary reasons he divorced his wife was due to financial problems. As he put it, "My wife had no appreciation for money. She spent money like water, and that was just the tip of the iceberg." I also learned that he had an 8 year old daughter who he loved very much. Of course, I'm not there to take sides, but to learn more about his situation and his concerns.

After the divorce, he and his wife agreed that his wife would have primary custody of their daughter. Then I explained, "Well, if you do nothing at all, and you remain unmarried, your estate will go to your daughter." He said, "Fantastic, that is exactly what I want. I don't need a will or anything!" Then I rained on his parade...I further explained, "However, your daughter is 8 years old, so any distributions would likely be given to your daughter's guardian in one lump sum....Guess who that is? Your Ex-Wife!" He nearly hit the roof. "No way," he said, "We need to figure out a way to get my assets to my daughter *without* my ex-wife getting a hold of it!"

In this particular client's case, we developed a living trust which protected him in case of incapacity, but upon his death, his brother would be successor trustee. His brother was very good with money and would be responsible for distributing the money to my client's daughter at appropriate stages and for the appropriate reasons. My client felt much better knowing his estate would not end up being controlled by his ex-wife. Financial troubles often lead to divorce. With some planning, you can protect your loved ones. If you do nothing at all, think about what would happen to your estate. Now ask yourself, "Am I comfortable with that?"